

Message Text

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15

ACTION XMB-04

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

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R 161743Z MAY 75

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 3924

UNCLAS PANAMA 2892

E.O. 11652: N/A

TAGS: BPRO, PN

SUBJECT: EXIMBANK BANK GUARANTEE

REF: STATE 111927

1. EMBASSY IS UNABLE TO PERCEIVE POLITICAL, COMMERCIAL OR OTHER OBJECTIONS WHICH MIGHT DETER EXIMBANK FROM CONSIDERING CATERPILLAR REQUEST. PROPOSED NEW GOVERNMENT CEMENT PLANT FOR WHICH THIS COMPANY'S EQUIPMENT WAS ORDERED WAS PRECEDED BY FEASIBILITY STUDY. NEED IS BASED ON CHRONIC AND GROWING LOCAL AND, UNTIL RECENTLY, INTERNATIONAL SHORTAGE OF CEMENT. LIME DEPOSITS OF REPORTEDLY HIGH QUALITY AND GOOD WATER SUPPLY ARE LOCATED AT PLANT SITE. AN AMERICAN CEMENT MILL EXPERT HAS GUIDED THIS PROJECT FOR THE PAST TWO YEARS. FROM A RECENT TALK WITH HIM, WE UNDERSTAND IT WAS DELAYED UNTIL RECENTLY DUE TO INCREASED COST ESTIMATE AND DIFFICULTY IN SECURING OVERALL FINANCING. IF THE PROJECT IS DELAYED FURTHER, WE BELIEVE CATERPILLAR EQUIPMENT WOULD BE FULLY EMPLOYED ON ONE OF SEVERAL OTHER MAJOR PROJECTS.

2. WE WISH TO TAKE THIS OPPORTUNITY TO MENTION THAT, IN CONTEXT OF OVERALL OR BY-COUNTRY EXIMBANK LENDING/ GUARANTEE LIMITATIONS, COMPETING DEMANDS OF THE CATERPILLAR REQUEST AND POSSIBLY OTHER PENDING REQUESTS, WE
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HOPE PANAMA'S APPLICATION FOR FINANCING THE CHIRIQUI

SUGAR MILL CAN BE ACCORDED PRIORITY. EMBASSY STRONGLY SUPPORTED A BID BY A US CONTRACTOR FOR THIS AND ANOTHER \$40 MILLION PROJECT AGAINST STIFF JAPANESE COMPETITION. THE PROJECT APPEARS HIGHLY FEASIBLE, PROMISES A HIGH RETURN BEGINNING SOON AFTER COMPLETION AND IT IS DESIRABLE FOR SOCIO-ECONOMIC AND POLITICAL REASONS. FURTHER, WALLACE INDUSTRIAL CONSTRUCTORS AND F.C. SCHAFER, THE US CONTRACTORS ON THE MILL INTEND TO MAKE IT A MODEL AND PRODUCE PROMOTIONAL FILM ON IT FOR USE IN SECURING SIMILAR OVERSEAS CONTRACTS. IT HAS BEEN SEVERAL YEARS SINCE ANY US FIRM WON A SUGAR MILL CONTRACT AND WALLACE REPORTEDLY IS THE ONLY ONE EVEN MAKING THE ATTEMPT. THE POTENTIAL FOR US EXPORTS IS VERY GREAT, BECAUSE OF HIGHER SUGAR PRICES STIMULATING CAPACITY EXPANSION WORLD-WIDE. EMBASSY WISHES TO MENTION DESIRABILITY, THEREFORE, FOR AN EARLY PROCESSING OF AZUCARERA LA VICTORIA'S APPLICATION FOR CHIRIQUI MILL WITH THE BEST APPROPRIATE TERMS AND COVERAGE EXIMBANK CAN PROVIDE.

JORDEN

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NNN

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